Habitat for Humanity®

We build strength, stability, self-reliance *and* shelter.

April 8, 2020

Chief Counsel's Office
Attention: Comment Processing
Office of the Comptroller of the Currency

RE: Docket ID OCC-2018-0008 (Community Reinvestment Act Regulations)

To Whom It May Concern:

Habitat for Humanity International appreciates the opportunity to share its perspective on how proposed changes to the Community Reinvestment Act (CRA), as outlined in the OCC and FDIC's Proposed Rulemaking, would impact the lower-income families and communities we serve.

Habitat for Humanity invests in communities nationwide by helping low-income families access and sustain responsible, affordable homeownership. Habitat homeowners help build their own homes alongside volunteers and pay an affordable mortgage. Through home construction, rehabilitation and repairs, housing finance, housing support services, and technical assistance, Habitat partners with families and individuals to build and improve a place to call home. Over the past 10 years, more than 1,100 Habitat affiliates located in all 50 states have helped nearly 300,000 people become first-time homebuyers, improve their housing conditions, and achieve the strength, stability and self-reliance they need to build better lives for themselves.

The Community Reinvestment Act was created in 1977 to ensure that banks meet the credit and banking needs of the entire communities in which they are located. It plays a critical role in achieving Habitat's mission. Since its enactment, the CRA has been instrumental in supporting Habitat's affordable homeownership activities nationwide, especially for our low-income partner families in under-served, hard-hit communities. The CRA plays a crucial role in building partnerships between banks and local Habitat affiliates that greatly extend our ability to provide affordable mortgages to qualified, lower-income families. Nationally, banks purchase Habitat's below-market-rate loans to our partner families due primarily to the motivations provided by the CRA. Habitat relies upon these loan sales to further leverage the donations and other financing that makes building our homes possible. The CRA also plays a fundamental role in ensuring capital is available generally in the communities we are helping to revitalize.

While we appreciate the need to modernize the CRA, we have strong concerns about several proposed changes:

Proposed Single-Ratio Metric

The proposed "single-ratio" metric would negatively impact Habitat for Humanity's ability to extend affordable homeownership opportunities to partner families, especially in under-served communities. Under this proposal, a bank's lending, investment, and financial service performance would be assessed primarily by the overall *dollar volume* of CRA activities as a percentage of total bank deposits. This represents a significant shift away from the current practice of assessing the *number* of loans originated and evaluating performance based on the relationship of investment and lending activities to local credit needs. Emphasizing dollar volume, without regard to type of investments, will favor larger and easier loans at the expense of lower-value loans, such as mortgages used by lower-income homebuyers to purchase a home. We are also concerned that the proposed single-ratio metric significantly reduces the importance of placing bank branches in low- and moderate-income communities.

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Passing Grade Only Needed in 51% of Assessment Areas

Proposed changes to the CRA will allow banks to receive a strong overall rating with a passing grade in only 51% of their assessment areas. This is of great concern, as it could mean that a bank could choose to ignore the credit needs of half of its assessment areas, and still receive an outstanding rating.

Giving Banks Credit for CRA Activity Located Outside of their Assessment Areas

Habitat for Humanity is concerned that the Proposed Rulemaking would allow credit for CRA activity outside of banks' assessment areas regardless of performance in their assessment areas. We believe this will further enable and encourage banks to shop nationally for the largest possible deals in which to focus their CRA activities, at the expense of smaller loans and investments that are more responsive to local needs, including those of lower-income homebuyers.

Changes to Eligible Activities

Lastly, the Proposed Rulemaking expands the list of activities eligible for CRA credit to many activities with no direct relationship to lending or financial services for low-income residents or businesses:

- Including stadiums and bridges as eligible activities;
- Relaxing the definition of affordable housing to include middle-income housing in high-cost areas;
- Granting CRA credit to financial education services for middle- or high-income individuals;
- Eliminating neighborhood stabilization as part of the definition of community development;
- No longer requiring eligible activities to primarily benefit low- and moderate-income communities;
- Assuming housing to be affordable if lower-income people can afford to pay the rent, even if it is not actually available or occupied by lower-income people.

These eligibility changes stray far from the CRA's original purpose. We believe they will draw lending capital away from lower-income homebuyers with whom we partner—especially if coupled with a shift to a dollar-volume-based metric that favors large single loans over smaller-value loans.

In summary, Habitat for Humanity is deeply concerned that key elements of the Proposed Rulemaking will significantly reduce access to credit for qualified, low- and moderate-income homebuyers in the communities we serve, and reverse progress made to revitalize historically under-served and distressed communities. The combined effect of: 1) measuring CRA activity primarily by total dollar volume; 2) allowing banks to ignore virtually half of their assessment areas and still receive outstanding performance ratings; and 3) expanding eligible activities beyond those directly benefitting low-to-moderate-income communities or residents, will significantly undermine banks' incentives to meet the credit needs of every low-income community in which they take deposits, and to make capital available to the lower-income homebuyers with whom we partner.

We call on the OCC and FDIC to revise its Proposed Rulemaking to ensure that any modernization of the Community Reinvestment Act will increase—rather than reduce—the availability of lending, investments, and financial services for low- and moderate-income homebuyers and communities. Furthermore, any final rulemaking should be suspended until after the COVID-19 crisis has passed.

Thank you for your attention to these concerns.

Sincerely,

[redacted]

Robert Hickey
Director, Housing Policy Development and Analysis
Habitat for Humanity International